



STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

DAU5018 – AUDITING 1

(All sections / Groups)

15 OCTOBER 2018

9:00 am – 12:00 pm

(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 5 pages with 4 questions only.
 2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
 3. Please write all your answers in the Answer Booklet provided.

QUESTION 1**Part A**

i)

To become an auditor requires experience as well as knowledge in all types of accounting practices as well as in various financial regulations. There are different types of auditors with different aims.

Required:

Describe and explain:

- External auditor (3 Marks)
- Internal auditor (3 Marks)
- Government auditor (3 Marks)

ii)

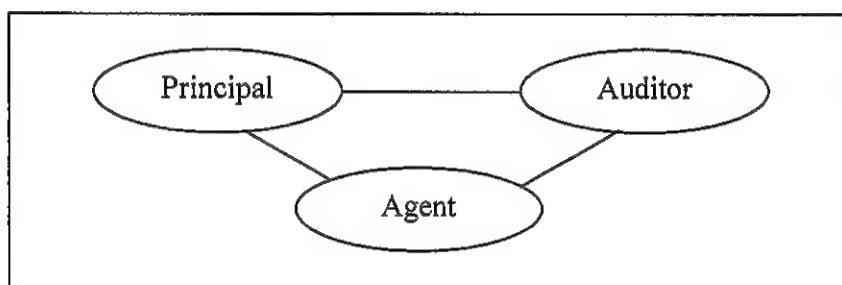


Figure 1

Based on figure 1 above,

- What is Agency Theory (principal-agent relationship)? (3 Marks)
- Explain how the role of auditing interferes in the principal-agent relationship. (3 Marks)

Part B

Section 264 (1)(c) of Companies Act 2016 explains on the condition that make the approved company auditor disqualified or prohibited from acting or accepting appointment as the auditor of a company.

Required:

Briefly explain any **FIVE (5)** conditions that prohibit an approved company auditor from acting or accepting appointment as auditor. (10 Marks)

[TOTAL 25 MARKS]
Continued...

QUESTION 2**Part A**

i)

One of the phases in an audit process includes the need to understand the company and its environment upon conducting the audit.

Required:

List **FIVE (5)** categories of information that need to be understood by the auditor.

(5 Marks)

ii)

An audit is usually conducted by an audit team, which is characterized by a hierarchical structure and division of labor. Audit teams usually comprise of audit partner, audit manager, audit senior, audit staff or audit assistants. The number of people at each hierarchical level depends on the size and complexity of the audit.

Required:

Identify **FIVE (5)** responsibilities of audit partner.

(5 Marks)

iii)

International Standards on Auditing (ISA) 240 distinguishes between two types of misstatements; errors and fraud. Either type of misstatement can be material or immaterial.

Required:

Differentiate between error and fraud.

(3 Marks)

Continued...

Part B

i)

Audit reports are essential to audit engagements as it communicates the Auditor's findings.

Required:

List and explain **THREE (3)** types of audit report when the auditor is not able to issue an unqualified report. (9 Marks)

ii) Define the term "Materiality" and explain the relationship between materiality and type of audit report. (3 Marks)

[TOTAL 25 MARKS]

QUESTION 3**Part A**

i)

Internal control is designed and implemented by a company's management, those charged with governance of the company, and other personnel. One of the components of internal control includes control procedures.

Required:

Identify and describe **FOUR (4)** control procedures that are relevant to the audit environment. (8 Marks)

ii) List any **FIVE (5)** factors that affect control environment. (5 Marks)

Continued...

Part B

i)

In an audit of financial statements, audit evidence will include the accounting records and documents underlying the financial statements, as well as corroborating (supporting) information from other sources.

Required:

Identify **FOUR (4)** ways on how corroborating evidence can be collected. (4 Marks)

ii) Explain the appropriateness of audit evidence and how evidence can be considered as appropriate. (4 Marks)

iii) Provide **TWO (2)** reasons why an auditor relies on audit evidences that are persuasive rather than convincing in forming an opinion on a set of financial statements. (4 Marks)

[TOTAL 25 MARKS]

QUESTION 4**Part A**

i) Define audit risk. (2 Marks)

ii) The audit risk model used in planning audit evidence may be stated as follows:

$$\text{Audit Risk (AR)} = \text{Inherent Risk (IR)} \times \text{Control Risk (CR)} \times \text{Planned Detection Risk (PDR)}$$

Required:

Briefly explain each components of audit risk model of Inherent Risk, Control Risk and Planned Detection Risk. (6 Marks)

Continued...

- iii) Identify **FIVE (5)** events that may serve as factors that contribute to an increase in inherent risk. (5 Marks)

Part B

- i) Identify and explain **FOUR (4)** important criteria to assess the competence and objectivity of the internal auditor. (8 Marks)

- ii) List **FOUR (4)** major types of audit that is applicable to internal auditor function. (4 Marks)

[TOTAL 25 MARKS]

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